



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE January 22, 2008

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Auditor of State David A. Vaudt today released an audit report on the Evansdale Municipal Water Works, Evansdale, Iowa.

The Water Works' receipts totaled \$988,840 for the year ended June 30, 2007, a 7.8 percent increase over 2006. The receipts included \$355,644 in charges for service, miscellaneous operating receipts of \$55,557, \$22,128 in interest on investments, \$28,949 of property rent and \$526,562 in sewer rental and solid waste fees collected for the City of Evansdale.

Disbursements for the year totaled \$954,853, a 6.4 percent increase over the prior year, and included operating disbursements of \$323,691, debt service of \$104,600 and \$526,562 for sewer rental and solid waste collection fees remitted to the City of Evansdale.

The increase in receipts is due, in part, to an increase in water and solid waste rates and increased sewer collections.

A copy of the audit report is available for review in the office of the Evansdale Municipal Water Works, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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EVANSDALE MUNICIPAL WATER WORKS

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2007

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Evansdale Municipal Water Works

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carol S. Erickson	Trustee	Dec 31, 2007
Cecil A. Azbill, Jr.	Trustee	Dec 31, 2009
Joan M. Thompson	Trustee	Dec 31, 2011
Bennie L. Johnson	Plant and Distribution Foreman	Indefinite
Sandra E. Clements	Office Manager	Indefinite
Eugene Edler	Treasurer	Indefinite
Pat Galles	Attorney	Indefinite

Evansdale Municipal Water Works



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Independent Auditor's Report

To the Board of Trustees of the
Evansdale Municipal Water Works:

We have audited the accompanying financial statement of the Evansdale Municipal Water Works, Evansdale, Iowa, as of and for the year ended June 30, 2007. This financial statement is the responsibility of Evansdale Municipal Water Works' officials. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

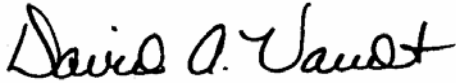
As described in note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in note 1, the financial statement of the Evansdale Municipal Water Works is intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Evansdale that is attributable to the transactions of the Water Works.

In our opinion, the aforementioned financial statement presents fairly, in all material respects, the cash basis financial position of the Evansdale Municipal Water Works as of June 30, 2007, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

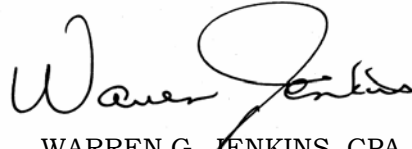
In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2007 on our consideration of the Evansdale Municipal Water Works' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 9 and pages 18 through 20 are not required parts of the financial statement, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statement taken as a whole. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statement and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statement taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Evansdale Municipal Water Works provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Water Works' financial statement, which follows.

2007 FINANCIAL HIGHLIGHTS

- The Water Works' total receipts increased 7.8%, or approximately \$71,000, from fiscal 2006 to fiscal 2007.
- The Water Works' total disbursements increased approximately \$57,000, or 6.4%, from fiscal 2006 to fiscal 2007.
- The Water Works' total cash basis net assets increased 8.6%, or approximately \$34,000, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The Evansdale Municipal Water Works has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Evansdale Municipal Water Works' cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Evansdale Municipal Water Works' cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Evansdale Municipal Water Works' financial statement. The annual report consists of a financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Water Works' financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Evansdale Municipal Water Works' receipts and disbursements, and whether the Water Works' financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Required Supplementary Information further explains and supports the financial statement with a comparison of the Water Works' budget for the year.

Other Supplementary Information provides detailed information about the individual Enterprise Funds. In addition, the Schedule of Indebtedness provides details of the Water Works' debt at June 30, 2007.

FINANCIAL ANALYSIS OF THE EVANSDALE MUNICIPAL WATER WORKS

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Evansdale Municipal Water Works and the disbursements paid by the Water Works, both operating and non-operating. The statement also presents a fiscal snapshot of the Water Works' cash balances at year end. Over time, readers of the financial statement are able to determine the Evansdale Municipal Water Works financial position by analyzing the increase and decrease in cash basis net assets.

Receipts are received for both the metered and unmetered sale of water, extensions of water mains and taps for service lines, water turn on/off fees, rent for tower space on the water tower and miscellaneous fees. The City of Evansdale pays the Evansdale Municipal Water Works contract fees to include sewer rental and solid waste charges on the water bill and costs involved in preparing the billing, i.e. meter reading for sewer rental, data entry of meter reads, sales tax return preparation and payment. A summary of cash receipts, disbursements and changes in cash basis net assets for the year ended June 30, 2007 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2007	2006
Receipts:		
Use of money and property	\$ 51,077	42,532
Charges for service	355,644	344,597
Sewer rental and solid waste collection fees collected for City	526,562	482,138
Miscellaneous	55,557	48,185
Total receipts	988,840	917,452
Disbursements:		
Administration	153,231	156,980
Plant operation and maintenance	153,327	142,220
Distribution operation and maintenance	17,133	19,220
Sewer rental and solid waste collection fees remitted to City	526,562	482,138
Debt service:		
Principal redeemed	65,000	55,000
Interest paid	39,600	42,020
Service fee	-	200
Total disbursements	954,853	897,778
Net change in cash basis net assets	33,987	19,674
Cash basis net assets beginning of year	394,727	375,053
Cash basis net assets end of year	\$ 428,714	394,727

The larger portion of the Water Works' net assets (83%) are unrestricted assets used in the routine operations for the plant, distribution and administrative areas of the Water Works and for capital improvements to the plant and distribution areas. State and federal laws and regulations require the Evansdale Municipal Water Works to perform specific maintenance and monitoring functions in the collection and treatment of water sources before final distribution. The remaining net assets (17%) are restricted funds for customer deposits.

BUDGETARY HIGHLIGHTS

The Evansdale Municipal Water Works prepares a budget on the cash basis of accounting and submits it to the City of Evansdale. There were no budget amendments for the Water Works during the year ended June 30, 2007.

The Water Works' receipts were \$25,578 more than budgeted. This was primarily due to the Water Works receiving more in interest on investments, meter sales and miscellaneous receipts than anticipated.

Total disbursements were \$47,762 less than budgeted. This was primarily due to disbursements generally being less than anticipated for distribution and capital outlay.

DEBT ADMINISTRATION

At June 30, 2007, the Evansdale Municipal Water Works had \$835,000 of loan debt outstanding. The loan was issued March 1, 1999.

ECONOMIC FACTORS

The City of Evansdale continues to experience a sizeable increase in new housing starts. Thirty-two apartment units were also added this year. However, current economic conditions beyond the Evansdale Municipal Water Works Trustees' control play a significant roll in the daily operations of the water plant and distribution services. These conditions include, but are not limited to:

- the need to constantly maintain facilities, wells, vehicles and machinery.
- the need to comply with federal and state regulations for the production of water and well-head protection.
- the need to maintain up-to-date technology at a reasonable cost.
- the fluctuation of the cost of the chemicals and energy used to produce quality water.

CONTACTING THE EVANSDALE WATER WORKS' FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Evansdale Municipal Water Works' finances and to show the Water Works' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Evansdale Municipal Water Works at 319-233-5524.

Evansdale Municipal Water Works

Financial Statement

Exhibit A

Evansdale Municipal Water Works

Statement of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2007

Operating receipts:	
Charges for service	\$ 355,644
Miscellaneous	55,557
Total operating receipts	<u>411,201</u>
Operating disbursements:	
Business type activities:	
Administration	153,231
Plant and collection	153,327
Distribution	17,133
Total operating disbursements	<u>323,691</u>
Excess of operating receipts over operating disbursements	<u>87,510</u>
Non-operating receipts (disbursements):	
Interest on investments	22,128
Property rent	28,949
Solid waste collection fees collected for City	183,677
Sewer rental fees collected for City	342,885
Solid waste collection fees remitted to City	(183,677)
Sewer rental fees remitted to City	(342,885)
Debt service:	
Principal redeemed	(65,000)
Interest paid	(39,600)
Total non-operating receipts (disbursements)	<u>(53,523)</u>
Net change in cash basis net assets	33,987
Cash basis net assets beginning of year	<u>394,727</u>
Cash basis net assets end of year	<u>\$ 428,714</u>
Cash Basis Net Assets	
Restricted for customer deposits	\$ 72,464
Unrestricted	<u>356,250</u>
Total	<u>\$ 428,714</u>

See notes to financial statement.

Evansdale Municipal Water Works

Notes to Financial Statement

June 30, 2007

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Evansdale Municipal Water Works is a component unit of the City of Evansdale, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Water Works is governed by a three-member Board of Trustees appointed by the City Council, which exercises oversight responsibility under this criteria.

B. Basis of Presentation

The accounts of the Water Works are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds are classified as Enterprise Funds in the financial statement. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

C. Basis of Accounting

The Evansdale Municipal Water Works maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Water Works is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Restricted Assets and Net Assets

Funds set aside for customer water deposits are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The Water Works' deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Except for \$3,000, the Water Works' deposits in credit unions at June 30, 2007 were entirely covered by federal depository insurance.

The Water Works is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Water Works had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$158,404 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Pension and Retirement Benefits

The Water Works contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Water Works is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Water Works' contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$7,455, \$7,077 and \$6,965, respectively, equal to the required contributions for each year.

(4) Compensated Absences

Water Works' employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave is payable when used or upon retirement. If paid upon retirement, the total accumulated hours are reduced by one-fourth, not to exceed 240 hours.

These accumulations are not recognized as disbursements by the Water Works until used or paid. The Water Works' approximate liability for earned compensated absences payable to employees at June 30, 2007 was as follows:

Type of Benefit	Amount
Vacation	\$ 6,800
Sick Leave	8,500
Total	<u>\$ 15,300</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(5) Loan from the City of Evansdale

On March 1, 1999, the Water Works entered into a loan agreement with the City of Evansdale for \$1,200,000 to construct a water tower. The loan is to be repaid in sixteen (16) annual installments with semi annual interest payments at rates ranging from 4.30% to 4.40% per annum. Semi annual interest payments began December 1, 1999 and principal payments began June 1, 2001. The outstanding loan balance at June 30, 2007 was \$835,000.

(6) Risk Management

The Evansdale Municipal Water Works is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Evansdale Municipal Water Works

Required Supplementary Information

Evansdale Municipal Water Works

Budgetary Comparison Schedule of Receipts,
Disbursements and Changes in Balances -
Budget and Actual (Cash Basis)

Required Supplementary Information

Year ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Use of money and property	\$ 51,077	-	51,077
Charges for service	882,206	526,562	355,644
Miscellaneous	55,557	-	55,557
Total receipts	988,840	526,562	462,278
Disbursements:			
Business type activities	954,853	526,562	428,291
Change in cash basis net assets	33,987	-	33,987
Cash basis net assets beginning of year	394,727	-	394,727
Cash basis net assets end of year	\$ 428,714	-	428,714

See accompanying independent auditor's report.

Budgeted Amounts	Final to Net
Original/Final	Variance
39,680	11,397
350,560	5,084
46,460	9,097
436,700	25,578
476,053	47,762
(39,353)	73,340
313,989	80,738
274,636	154,078

Evansdale Municipal Water Works

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The Evansdale Municipal Water Works prepares a budget on the cash basis of accounting and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements, known as functions, not by fund. The Water Works' disbursements are budgeted in the business type activities function. There were no budget amendments for the Water Works during fiscal 2007.

During the year ended June 30, 2007, disbursements did not exceed the amount budgeted.

Other Supplementary Information

Evansdale Municipal Water Works

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets
Enterprise Funds

As of and for the year ended June 30, 2007

	General	Water Meter Deposits
Operating receipts:		
Charges for service:		
Sale of water	\$ 221,632	-
Service fees	6,528	-
Installations and connections	500	-
Water tower fees	117,194	-
Sewer and garbage billing charges	9,790	-
	<u>355,644</u>	<u>-</u>
Miscellaneous:		
Sales tax	17,131	-
Penalties	4,212	-
Customer deposits	-	9,725
Meter sales	5,195	-
Miscellaneous	5,731	-
	<u>32,269</u>	<u>9,725</u>
Total operating receipts	<u>387,913</u>	<u>9,725</u>
Operating disbursements:		
Business type activities:		
Administration:		
Personal services	86,336	-
Services and commodities	48,474	7,835
	<u>134,810</u>	<u>7,835</u>
Plant and collection:		
Personal services	85,418	-
Services and commodities	37,814	-
Capital outlay	30,095	-
	<u>153,327</u>	<u>-</u>
Distribution:		
Personal services	4,017	-
Services and commodities	13,116	-
	<u>17,133</u>	<u>-</u>
Total operating disbursements	<u>305,270</u>	<u>7,835</u>
Excess of operating receipts over operating disbursements	<u>82,643</u>	<u>1,890</u>

Sewer Rental Deposits	Solid Waste Deposits	Sewer Rental Collections	Solid Waste Collections	Total
-	-	-	-	221,632
-	-	-	-	6,528
-	-	-	-	500
-	-	-	-	117,194
-	-	-	-	9,790
-	-	-	-	355,644
-	-	-	-	17,131
-	-	-	-	4,212
8,533	5,030	-	-	23,288
-	-	-	-	5,195
-	-	-	-	5,731
8,533	5,030	-	-	55,557
8,533	5,030	-	-	411,201
-	-	-	-	86,336
7,145	3,441	-	-	66,895
7,145	3,441	-	-	153,231
-	-	-	-	85,418
-	-	-	-	37,814
-	-	-	-	30,095
-	-	-	-	153,327
-	-	-	-	4,017
-	-	-	-	13,116
-	-	-	-	17,133
7,145	3,441	-	-	323,691
1,388	1,589	-	-	87,510

Evansdale Municipal Water Works

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets
Enterprise Funds

As of and for the year ended June 30, 2007

	General	Water Meter Deposits
Non-operating receipts (disbursements):		
Interest on investments	22,128	-
Property rent	28,949	-
Solid waste collection fees collected for City	-	-
Sewer rental fees collected for City	-	-
Solid waste collection fees remitted to City	-	-
Sewer rental fees remitted to City	-	-
Debt service:		
Principal redeemed	(65,000)	-
Interest paid	(39,600)	-
Total non-operating receipts (disbursements)	(53,523)	-
Net change in cash basis net assets	29,120	1,890
Cash basis net assets beginning of year	327,130	28,264
Cash basis net assets end of year	\$ 356,250	30,154

See accompanying independent auditor's report.

Sewer Rental Deposits	Solid Waste Deposits	Sewer Rental Collections	Solid Waste Collections	Total
-	-	-	-	22,128
-	-	-	-	28,949
-	-	-	183,677	183,677
-	-	342,885	-	342,885
-	-	-	(183,677)	(183,677)
-	-	(342,885)	-	(342,885)
-	-	-	-	(65,000)
-	-	-	-	(39,600)
-	-	-	-	(53,523)
1,388	1,589	-	-	33,987
25,596	13,737	-	-	394,727
26,984	15,326	-	-	428,714

Evansdale Municipal Water Works

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Loan agreement: City of Evansdale	Mar 1, 1999	4.3 - 4.4%	\$ 1,200,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
900,000	-	65,000	835,000	39,600

Evansdale Municipal Water Works



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STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees of the Evansdale Municipal Water Works:

We have audited the accompanying financial statement of the Evansdale Municipal Water Works as of and for the year ended June 30, 2007, and have issued our report thereon dated November 16, 2007. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Evansdale Municipal Water Works' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Evansdale Municipal Water Works' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Evansdale Municipal Water Works' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Evansdale Municipal Water Works' ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Evansdale Municipal Water Works' financial statement that is more than inconsequential will not be prevented or detected by the Evansdale Municipal Water Works' internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Evansdale Municipal Water Works' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Evansdale Municipal Water Works' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Water Works' operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Water Works. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

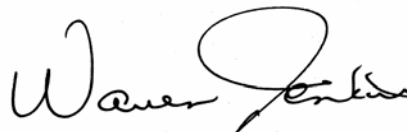
The Evansdale Municipal Water Works' response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Water Works' response, we did not audit the Water Works' response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Evansdale Municipal Water Works and other parties to whom the Water Works may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Evansdale Municipal Water Works during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2007

Evansdale Municipal Water Works

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

Reconciliation of Utility Billings, Collections and Delinquencies – Although utility billings and collections were reconciled to amounts billed and receipts, the reconciliation did not include delinquent accounts. Reconciling utility billings, collections and delinquent accounts will help ensure utility receipts are properly receipted and recorded.

Recommendation – The reconciliation procedures already established are beneficial. However, to strengthen internal control, the reconciliation should include reconciling prior delinquent accounts.

Response – Evansdale Water Works will develop a method of reconciling delinquent accounts.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

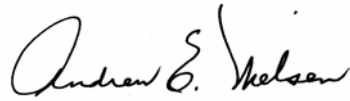
- (1) Certified Budget – The budget certified by the City of Evansdale includes amounts budgeted for the Evansdale Municipal Water Works. Disbursements during the year ended June 30, 2007 did not exceed the amount budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Water Works' money for travel expenses of spouses of Water Works' officials or employees were noted.
- (4) Business Transactions – No business transactions between the Water Works and Water Works' officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of Water Works' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Water Works' investment policy were noted.

Evansdale Municipal Water Works

Staff

This audit was performed by:

Michelle Meyer, CPA, Manager
Shawn R. Elsbury, Staff Auditor
Brett C. Conner, Assistant Auditor
Andrew E. Nielsen, CPA

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State